

## Message Text

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ACTION COME-00

INFO OCT-01 EA-11 NEA-11 ISO-00 EB-11 OMB-01 SCI-06 FEA-02

CIEP-02 INT-08 TRSE-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 SAM-01 AGR-20 STR-08 AID-20 DRC-01 /180 W

----- 129240

R 120300Z FEB 74

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 521

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY SAIGON

AMEMBASSY SINGAPORE

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EO 11652: N/A

TAGS: EIND, CE

SUBJ: SRI LANKA: SHORT SUPPLY PROBLEMS

REF STATE 23940

1. SRI LANKA EXPORTS OF COPRA AND COCONUT OIL BANNED FROM FEB 73 AND APRIL 73 RESPECTIVELY. BAN REFLECTS 30 PERCENT SHORTFALL COCONUT PRODUCTION 1972-73 IN WAKE OF DROUGHT CONDITIONS. ALL COPRA CONTRACTS SIGNED PRIOR FEB 73 FOR DELIVERY AFTER AUG 1, 1973 CANCELLED EXCEPT ONE FOR AN UNIDENTIFIED EAST EUROPEAN COUNTRY (FULFILLED BECAUSE OF DOMESTIC POLITICAL CONSIDERATIONS). IN 1972, TWENTY PERCENT OF COPRA PRODUCTION VALUED AT \$20 MILLION WAS EXPORTED. SRI LANKA WORLD'S SECOND LARGEST PRODUCER COCONUT OIL BUT NORMALLY SUPPLIES ONLY 10 PERCENT WORLD EXPORTS BECAUSE OF VERY LARGE DOMESTIC CONSUMPTION.

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2. OBJECTIVE OF BAN IS TO MEET DEMAND BY LOCAL CONSUMERS. GSL'S

PRESENT POSITION IS TO ENFORCE BAN ON COPRA AND COCONUT OIL EXPORTS UNTIL PRODUCTION LEVELS MEET MINIMUM DOMESTIC CONSUMPTION.

3. TO OUR KNOWLEDGE NO OTHER CEYLONESE INDUSTRIALLY SIGNIFICANT EXPORTS ARE NOW SUBJECT CONTROL OR REGULATION FOR REASONS GIVEN PARA 3 REFTEL. GIVEN CHRONIC AND WORSENING FOREIGN EXCHANGE SITUATION, SRI LANKA IS NO POSITION TO MANIPULATE SUPPLIES TO HER ADVANTAGE BUT POSSIBILITY OF JOINT ACTION WITH OTHER COUNTRIES CLEARLY HAS APPEAL. MOST ATTRACTIVE COMMODITY IS RUBBER. ACCORDING FEB 8 PRESS ARTICLE, INDIA HAS APPROACHED MALAYSIA AND SRI LANKA TO WORK OUT JOINT RUBBER MARKETING ARRANGEMENT IN ORDER PUSH FOR HIGHER PRICES "JUST LIKE ARAB PRODUCERS DEMANDED AND GOT BETTER PRICES FOR OIL". FEB 11 CEYLON DAILY NEWS ARTICLE CITES GSL PLANTATION INDUSTRIES MINISTER COLVIN DE SILVA AS SAYING HE HAS CALLED FOR MINISTERIAL LEVEL CONFERENCE OF MEMBER COUNTRIES IN ASSOCIATION OF NATURAL RUBBER PRODUCING COUNTRIES (MALAYSIA, INDONESIA, THAILAND, VIETNAM, SINGAPORE) ARTICLE SAYS "SRI LANKA IS PRESSING FOR QUICK AND CONCERTED ACTION BY NATURAL RUBBER PRODUCING COUNTRIES TO MAKE MOST OF CURRENT GLOBAL FUEL CRISIS."

VAN HOLLEN

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## Message Attributes

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